

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 1562-01
BILL NO.: HB 570
SUBJECT: Department of Labor and Industrial Relations; Unemployment Compensation
TYPE: Original
DATE: February 16, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None *	\$0*	\$0*	\$0*
Total Estimated Net Effect on <u>All</u> Federal Funds *	\$0*	\$0*	\$0*

***DOES NOT REFLECT POTENTIAL LOSS OF FEDERAL ADMINISTRATIVE
GRANTS DUE TO POSSIBLE NONCOMPLIANCE WITH FEDERAL LAW.**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Labor and Industrial Relations** (DOL) assume the proposal may not conform with Federal law. If Missouri's Employment Security Law is determined to be out of conformity with Federal standards, the consequence could be a loss of certification for FUTA (Federal Unemployment Tax Act) credits. A loss of certification would cause (1) all contributing Missouri employers to lose at least \$997 million annually in FUTA credits and (2) the Division of Employment Security to lose at least \$40 million annually in administrative funds.

Also, under federal requirements, if Missouri's law does not require a waiting week for all claimants, then the federal share for the cost of the first week of extended benefits (EB) would be lost. The result could be an annual cost of millions to employers subject to EB charges should Missouri reach a high insured unemployment rate and trigger onto EB.

In addition, officials from the DOL noted that a requirement for approval of a program by the Bureau of Apprenticeship and Training is that the individual be "employed". Since "unemployment compensation (UC) may not be paid to individuals who are not unemployed", the proposal could create a conformity issue by violating the requirements of the "withdrawal standards" under FUTA and the Social Security Act (SSA).

Furthermore, Section 3306(h), FUTA, defines "compensation" as "cash benefits payable to individuals with respect to their unemployment." Section 3304(a)(4), FUTA, requires, as a condition for employers in a State to receive credit against the Federal tax, that State law provide that all money withdrawn from the unemployment fund of the State shall be used solely in the payment of unemployment "compensation". DOL noted that Section 303(a)(5), SSA, provides a similar requirement as a condition for a state to receive administrative grants.

Oversight assumes that any loss of federal funds would depend upon determination of noncompliance by the U.S. Department of Labor and the imposition of sanctions by the U.S. Department of Labor. The likelihood of such sanctions would be speculative. For fiscal note purposes, no impact to federal funds is reflected.

	FY 2002 (10 Mo.)	FY 2003	FY 2004
<u>FISCAL IMPACT - State Government</u>	\$0	\$0	\$0

	FY 2002 (10 Mo.)	FY 2003	FY 2004
<u>FISCAL IMPACT - Local Government</u>			
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal, depending upon conformity with federal law and any sanctions imposed by the U.S. Department of Labor.

DESCRIPTION

This proposal permits unemployment compensation for workers who are enrolled in an apprenticeship program and are required to participate in a full-time, off-the-job training course for which they receive no compensation or are compensated in an amount less than their weekly benefit amount. Claimants must be enrolled in an apprenticeship program that is certified by the Bureau of Apprenticeship and Training of the U.S. Department of Labor. The Director of Employment Security may issue blanket approval of training programs certified by the U.S. Department of Labor. A claimant is eligible for benefits during the weeks the claimant participates in the aforementioned training course, provided that the claimant submits proof of enrollment with each claim for benefits and that the director determines the claimant's participation is required by the terms of the U.S. Department of Labor certified program of apprenticeship.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Labor and Industrial Relations



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Director

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